

productivity of the overseas debt. The increase in the percentage of the disposable income necessary to pay the annual overseas interest charge is the most serious aspect of the situation. While the analysis does not indicate that the proportion of the disposable income which is used to hire capital is unduly high, since production itself rose during the period by 32 per cent., it does indicate the real crux of the external debt situation.

A second point established by Dyason has reference to the relative proportion of external debt to production in the pre-war and post-war periods. It must again be emphasized that

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External Interest and Productivity per Head

| <i>5-year period.</i> | <i>Average annual production of export commodities.</i> | <i>Mean population. (Millions.)</i> | <i>Annual average production of export commodities per head at pre-war price-level.</i> | <i>Interest on the external debt.</i> | <i>External interest charge per head at pre-war price-level.</i> |
|-----------------------|---|-------------------------------------|---|---------------------------------------|--|
| 1910 to 1914. | 146 | 4.657 | 30.3 | 7.119 | 1.6 |
| 1923 to 1927. | 287 | 5.929 | 32.3 | 16.455 | 2.7 |
| | Increase per cent. | | 6.6 | | 68.0 |

the value of total production does not seem so important for this purpose as the value of the production of export commodities. It would appear to be necessary to compare pre-war and post-war interest and disposable income at a common price-level. The picture then assumes a somewhat different complexion, for it is evident that, while the annual average production per head of export commodities increased by 6.6 per cent., the external interest charge had increased by 68 per cent., or *more than ten times as fast*.

By a further comparison of annual indebtedness due to borrowing with the estimated annual savings, Dyason arrives at the final decision that Australia is living well within her income. Admittedly this may be true, although the estimate of national savings made by Sutcliffe upon which he bases his judgement remains the most conjectural and the least satisfactory aspect